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Kucinich and Treasury Department Agree to Solution of Foreclosure Counseling Funding Problem

Washington D.C. – Congressman Dennis Kucinich (D-OH), Chairman of the Domestic Policy Subcommittee of the House Oversight and Government Reform Committee, announced an agreement with the Treasury Department that resolves an obstacle to hiring home foreclosure prevention counselors with federal funds.

Foreclosure prevention counselors identify and work on behalf of borrowers eligible for federal home loan modification assistance. Borrowers receiving counseling assistance show a markedly higher rate of successful loan modifications than those who do not. The Obama Administration has supported the value of foreclosure prevention counseling. Nevertheless, commonly held interpretations of Treasury Department guidelines allowed federal funds to compensate counseling efforts only as reimbursement, after the services were rendered. This restriction effectively denied non-profit counseling providers the seed money required to hire and train new counselors to meet the staggering need in states hardest hit by foreclosures and thereby limited the effectiveness of the Administration's foreclosure prevention efforts.

The agreement with Treasury will allow states designated as hardest hit by foreclosure to give non-profit counseling providers access to federal funds on a drawdown basis to hire and train many new counselors. A number of safeguards would be put in place to ensure the funds are used properly.

"This approach will effectively allow states to ramp up hiring new foreclosure counselors at a much more rapid pace than the previous, reimbursement-only basis would have provided," said Kucinich.

The Kucinich subcommittee has been at the forefront of congressional efforts to address the foreclosure crisis, holding ten Congressional hearings on the subject. Following Treasury's initial announcement of the Hardest Hit Fund--which excluded Ohio--Kucinich succeeded in securing \$172 million for Ohio in a second round of funding. Four other states were also added

to the second round. The Subcommittee also pressed Treasury throughout late 2009 and early 2010 to develop a more effective plan to reduce the principal balance of distressed mortgages. Treasury finally announced that initiative in late March. In early May, Kucinich brought Herb Allison, Assistant Secretary for Financial Stability, to Cleveland to hear from statewide housing experts and discuss how best to implement new initiatives from the Obama Administration. At that meeting, Treasury made a commitment to foreclosure prevention counseling, which has shown to be one of the most effective programs at keeping people in their homes.

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